



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

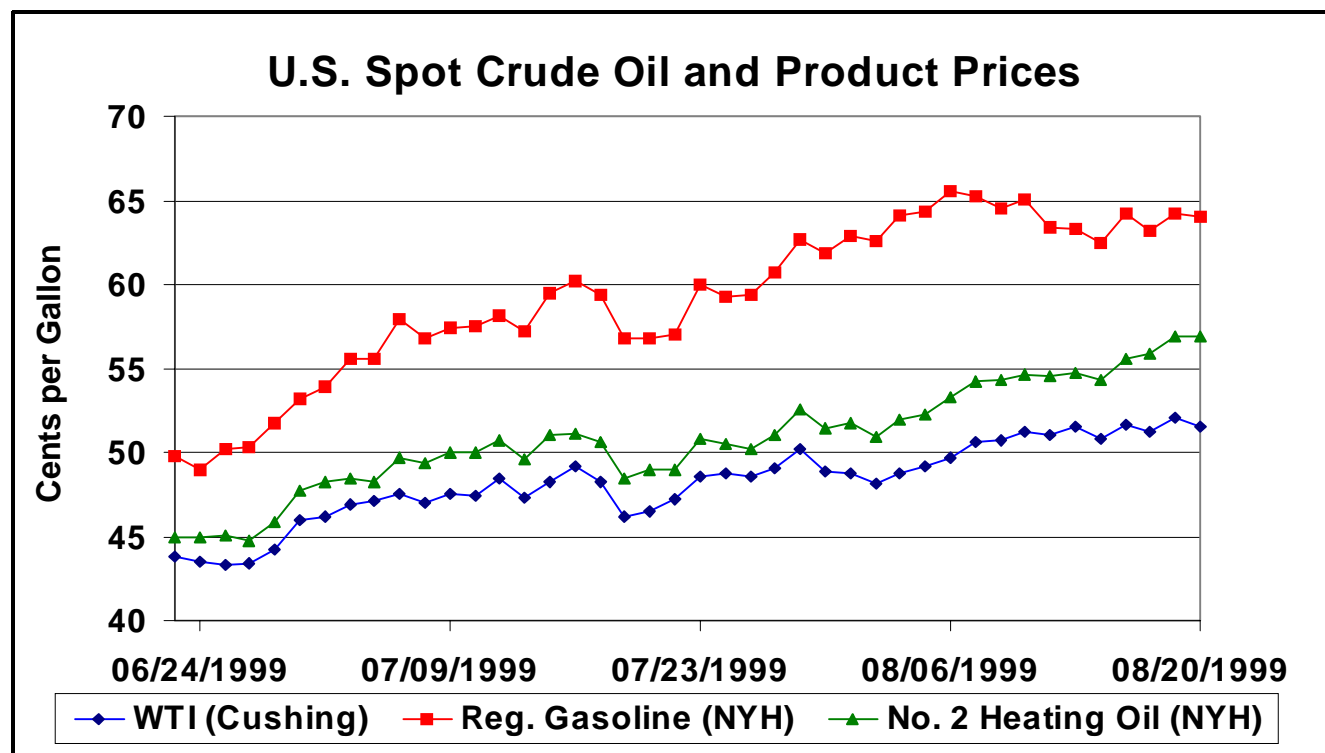
MARKET SUMMARY

Petroleum product spot and futures prices rose on U.S. markets last week, while those for crude oil were virtually unchanged. Markets were influenced by a variety of domestic and international factors, including inventories, weather, futures contract expiration, and refinery and pipeline problems. With crude oil price movements seemingly stalled ahead of next month's OPEC meeting, the clearest trends are in product markets, where gasoline appears to be softening as the driving season draws to a close, and distillate margins over crude oil are widening in anticipation of the coming heating season.

Crude oil - prices traded in a relatively narrow range all week, with spot WTI posting a net loss of 1 cent per barrel, despite setting new 22-month highs on Tuesday and Thursday. Chevron's announcement of quick repairs to its damaged Texas crude oil pipeline removed one source of support, although Tropical Storm Bret brought new supply concerns by Friday. A major influence in the last half of the week was the expiration of NYMEX September crude oil futures on Friday.

Gasoline - was again the most volatile element in U.S. markets, reflecting both changes in underlying crude oil values and independent direction from seasonal changes, inventory levels, and refinery operations, among other factors. An small-but-unexpected stockbuild, the first since May, softened prices on Wednesday. A number of refinery unit shutdowns and restarts were largely offsetting, with the most significant issues, in California, continuing to abate.

Distillate - prices moved solidly upward for the week, except on the West Coast, further widening spreads against crude oil. Although stocks remain relatively high, and significant heating demand is months away, market attention has clearly begun to shift from gasoline toward distillates.



CHRONOLOGY OF RECENT MARKET EVENTS

- 8/20 - falling** - prices ended lower across the board, as modest early strength gave way to profit-taking ahead of September NYMEX crude oil expiration at the close. Markets were supported early in the day by concerns about Tropical Storm Bret, heading for the south Texas coastline.
- 8/19 - rising** - crude and product prices again rebounded, shaking off Wednesday's bearishness from a gasoline stockbuild, and continuing the week's seesaw pattern. Hydrocracker problems at Exxon's Baytown refinery and Friday's expiration of September crude futures were significant factors.
- 8/18 - falling** - prices turned lower in the wake of the weekly API and EIA supply reports, which both showed a small increase in gasoline stocks instead of the expected substantial draw. West Coast gasoline prices dropped even more sharply, as the refinery situation there continues to improve.
- 8/17 - rising** - spot and futures prices moved solidly higher, led by products, ahead of the weekly API and EIA supply reports. Reported expectations of crude oil and gasoline stockdraws pushed spot WTI to a new 22-month high at \$21.70 per barrel.
- 8/16 - falling** - all prices fell back from Friday's levels, with the drop largely attributed to Chevron's statement that it will have its damaged Texas crude oil pipeline up to 80% operation by next weekend. Clark Refining's Lima, Ohio refinery, which cut runs last week due to the pipeline outage, said it would raise throughput as crude becomes available through the pipeline.
- 8/13 - mixed** - crude and heating oil prices rose modestly, reaching new post-1997 highs, while gasoline eased. A Texaco declaration of *force majeure* on Nigerian shipments, along with a crude oil pipeline cutback due to power shortages, helped support crude prices, while new problems at two refineries were insufficient to keep gasoline from falling.
- 8/12 - falling** - a sharp drop in gasoline prices, attributed to profit-taking, led markets lower despite a variety of upward influences. A hydrocracker fire at Motiva's Convent, Louisiana refinery, news of a 2-4 week shutdown of a Chevron crude pipeline after Wednesday's fire, and an IEA report of 91% OPEC compliance with output cuts in July all failed to push prices higher.
- 8/11 - rising** - prices rose solidly across the board, supported by reports of larger-than-expected crude and product stockdraws from both API and EIA. A crude oil pipeline fire and cuts in refinery operations due to power shortages, all in Texas, also contributed to stronger prices.
- 8/10 - mixed** - crude oil prices posted a slight gain, but gasoline led most product prices lower despite expected stockdraws. The drop in gasoline prices pulled crack spreads back toward a more typical range, down from the sharply higher levels of the past two weeks.
- 8/9 - mixed** - most prices moved higher, led by crude oil, as NYMEX front-month crude closed above \$21 per barrel for the first time since 1997. Upward momentum continued from the week before, with an explosion at Citgo's Corpus Christi refinery the only new factor.